Class: B.Com Part II

Subject: Corporate Accounting

Paper: IV

unit: V

Topic: Double Accounts System:

Lecture Sequence No: 3

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Double Account System its Advantages:

(1) Information of working Capital:

Double Account system also makes it easy to get information regarding working capital.

(2) Useful Information from Capital Account:

By preparing Capital Account, Balance of capital receipts and capital expenditure can be found out. This balance is very useful for making future plans of capital nature. Capital Account helps in comparing receipts and expense of fixed nature which is not possible in case of ordinary Balance Sheet.

(3) Easy Replacement Assets.

Replacement of assets becomes easy because creation of depreciation fund is compulsory. and that invested amount of this fund provides the necessary amt for replacement Assets.

(4) Simple to Understand.

The presentation of accounts under Double Account system is simple to understand. Capital Account is in nature of cash account. Hence amt received from shareholders debenture holder can easily be known from

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Capital Account. Similarly payment made for fixed Assets. ie the fund utilised may also know from Capital Account.

(5) Depreciation Fund:

Under Double Account system, Depreciation Fund is created and invested in outside securities. This helps replacement of fixed assets without an adverse effect on the liquidity of the company.

(6) Efficient Services:

The presentation of accounts is the prescribed from enables the states to ensures that the undertaking is rendering efficient services at reasonable cost.

(7) Detailed Information:

The system ensures providing detailed information to be the Shareholder, creditors and general public by providing prescribed forms in which the final accounts are to be prepared & the statistical returns to be annexed with them.

(8) Assesment of Efficiency:

It helps the govt in ascertaining that the public utility concern providing efficient services at a reasonable cost or not.

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(9) Easy Comparison Of Operating and Others items:

Receipts and expenditure on operating activities are shown in Revenue a/c. and other receipts and expenditures of revenue nature are shown in Net Revenue Account, thus the comparison of operating and non-operating item can be easily made and this comparison helps in making economies in these items in future.

(10) Comparision of Floating ~~Fd~~ Items:

Comparison of floating assets and floating liabilities becomes easy bec-causes they are separately placed in general balance sheet. It is not so in case of ordinary balance sheet.

(11) Current knowledge of Financial Position

Capital Receipts and Expenditure upto last year are shown separately than the capital receipts and expen-ditures of the current yea, hence current knowledge regarding financial position of the company can be easily derived.

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